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HOUSE OF REPRESENTATIVES
REPORT
99-110

VETERANS' COMPENSATION BENEFITS AMENDMENTS OF 1985

MAY 15, 1985.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. MONTGOMERY, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany H.R. 2343]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 2343) to amend title 38, United States Code, to make certain improvements in veterans' compensation programs, and for other purposes, having considered the same, report favorably thereon with amendments by unanimous voice vote, and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 2, line 9, insert "processing" after "responsible for".

Page 2, line 10, strike out "adjudicating and processing".

Page 2, strike out lines 12 and 13 and insert in lieu thereof the following:

> (ii) claims for educational benefits or vocational rehabilitation provided under laws administered by the Veterans' Administration;

Page 2, line 14, strike out "application for".

Page 2, line 25, strike out the quotation marks and the second period.

Page 2, after line 25, insert the following:

> (4) For the purposes of this subsection, the term "State" means one of the 50 States or the Commonwealth of Puerto Rico.

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Page 3, line 13, strike out "willfull" and insert in lieu thereof "willful".

Page 5, line 7, strike out "35,000" and insert in lieu thereof "$35,000".

Page 7, line 5, strike out "through" and and insert in lieu thereof "throughout".

Page 7, line 16, insert "SUPPORT" after "ACTIVE-DUTY".

Page 7, line 23, strike out "[Army]".

Page 7, line 24, strike out "[active" and insert in lieu thereof "active".

Page 7, line 25, strike out "status]" and insert in lieu thereof "status".

Page 9, line 17, insert "the second place it appears" after "subsection (b)' ".

Page 9, beginning on line 20, strike out "the date on which the veterans' entitlement pension is terminated" and insert in lieu thereof "whether the veteran's entitlement to pension is so terminated during the program period".

Page 9, line 23, strike out "[(2)" and insert in lieu thereof "(2)".

Page 9, line 24, strike out "title'.]" and insert in lieu thereof "title'.".

INTRODUCTION

The President, in his budget submission for fiscal year 1986, requested funds for a 4.1 percent cost-of-living allowance (COLA) for the service-connected disability compensation and dependency and indemnity compensation (DIC) programs. The 4.1 percent adjustment also represented what was anticipated for the indexed non-service-connected pension program, based on the changes in the consumer price index (CPI) from the third quarter of calendar year 1984 to the third quarter of calendar year 1985. The increase proposed by the President would become effective December 1, 1985.

The President's budget also proposes that all adjudication, loan processing and administrative functions, now located in 58 regional offices across the Nation, be consolidated into three locations over a 3-year period.

In the Committee report to the Budget Committee dated March 15, 1985, a request was made to include budget authority for a 4.1 percent increase in compensation and DIC to be effective December 1, 1985. The House has not, as of the date of this report, agreed to the First Concurrent Budget Resolution setting forth the congressional budget for fiscal years 1986, 1987 and 1988. Because the Committee has always made an effort to stay within the fiscal targets of the First Concurrent Budget Resolution, action on a COLA for the compensation and DIC programs will be deferred until the House has acted on the Resolution.

On April 17, 1985, the Subcommittee on Compensation, Pension and Insurance conducted hearings to review legislation concerning the compensation, DIC and related programs. The Subcommittee received testimony from the Disabled American Veterans, Non-Commissioned Officers Association, Paralyzed Veterans of America, AMVETS, Retired Officers Association, Vietnam Veterans of America, Inc., Veterans of Foreign Wars of the U.S., the American

Legion, Jewish War Veterans, National Association of Military Widows, Gold Star Wives of America, Inc., and the Veterans Administration.

On April 30, 1985, the Subcommittee favorably considered H.R. 1537, H.R. 1568 as amended, H.R. 1709 as amended, and H.R. 2181 as amended, and, by unanimous voice vote, recommended the legislation to the full Committee. The Subcommittee further recommended that a clean bill be introduced to encompass the provisions of these measures. On May 2, 1985, H.R. 2343 was introduced and referred to the Committee. On May 7, 1985, the full Committee, by unanimous voice vote, ordered the bill, with technical amendments, to be reported to the House.

Summary of the Bill

H.R. 2343, as reported, would:

(1) Require the Veterans' Administration to maintain a full service regional office in each State.

(2) Liberalize benefits for (a) certain veterans who have a severe service-connected disability of one lung and later develop a non-service-connected disability of the other lung and (b) certain veterans who have a service-connected loss or loss of use of one arm or leg and later suffer a non-service-connected loss or loss of use of the paired extremity.

(3) Express the sense of Congress that veterans' service-connected disability compensation should not be taxed.

(4) Increase the maximum Servicemen's Group Life Insurance and Veterans Group Life Insurance coverage from $35,000 to $50,000 and make such coverage available to members of the Individual Ready Reserve and the Inactive National Guard.

(5) Define full-time service by National Guard technicians or recruiters who serve on active duty for operational purposes as active duty, rather than active duty for training, for Veterans' Administration purposes.

(6) Extend authority to operate a Veterans' Administration Regional Office in the Philippines through September 30, 1988.

(7) Provide that dependency and indemnity compensation (DIC) be paid to the surviving spouse of a former Commandant of the Coast Guard at the same rate provided to surviving spouses of other military service chiefs.

Discussion of the Bill

REGIONAL OFFICES

Since the close of World War II, the Veterans' Administration has operated a network of regional offices to administer a broad range of veterans' benefits, including disability and death compensation, disability and death pension benefits, educational benefits, vocational rehabilitation training and the loan guaranty program. At the present time, 58 such regional offices are in operation, including at least one in each of the 50 States as well as in Puerto Rico and the Philippine Islands.

Section 2 of the bill would require the Administrator of Veterans Affairs to maintain at least one regional office in each State to

process claims for disability and death compensation and pension, for educational benefits and to process applications for home loans.

Section 210(b)(2)(A) of title 38 provides that the Administrator may not in any fiscal year implement a major administrative reorganization such as the President proposed unless the Administrator first submits to the appropriate committees of the Congress a report containing a "detailed plan and justification" for the administrative reorganization. Any such report must be submitted not later than the day on which the President, pursuant to section 1105 of title 31, submits to the Congress the budget for the fiscal year in which the administrative reorganization is to be implemented. No action to carry out such reorganization may be taken after the submission of such report until the first day of such fiscal year.

The President, in his budget request for fiscal year 1986, proposed that all adjudication, loan processing and administrative functions in the 58 regional offices be consolidated into three central locations over a 3-year period beginning in fiscal year 1986. On February 1, 1985, the day the President's budget was submitted to the Congress, the Administrator informed the Committee of the general proposal and that a task force had been established to develop an implementation plan by July 1985. There follows a copy of the Administrator's letter:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, DC, February 1, 1985.

Hon. G.V. (SONNY) MONTGOMERY,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: In accordance with the provisions of title 38, United States Code, Section 210(b)(2), we are providing notification of a planned reorganization and consolidation of field office functions of the Department of Veterans Benefits (DVB), that do not require face-to-face contact with the veteran.

JUSTIFICATION

Consolidation of these functions will enable us to take better advantage of the advances of recent years in management and communications technology. In this way, we can further improve our efficiency in delivering veterans' benefits and provide for continued high quality service to veterans. This change will enable employment to be reduced by 17 percent over 1986–88. In addition, after the consolidation is complete, substantial budget savings will be achieved.

PLAN

We propose to consolidate DVB benefit processing and support activities from 59 regional offices into 3 processing centers over the course of fiscal years 1986 through 1988. Activities designated for centralization include adjudication of compensation, pension, and education claims; loan processing; and support services, including administrative, finance, and personnel functions.

DVB operations involving direct personal contact with veterans and beneficiaries will continue in the regional offices, and no office would be closed by this consolidation. Veterans assistance, compliance survey, vocational rehabilitation and counseling, and loan servicing, property management, and construction and valuation activities will remain at the field offices.

DVB employment would be reduced by more than 2,300 FTEE over the 3 years as a result of efficiencies possible with consolidation. Current budgeted staffing for fiscal year 1985 is 13,518. A reduction of 624 FTEE is scheduled for fiscal year 1986. Employment reductions will be accomplished through centralization of the designated functions. Staffing reductions will be achieved through attrition, voluntary reassignments, and special initiatives for employee placement.

Annual savings of more than $55 million can be realized after full implementation of the planned consolidation. However, one-time costs for relocation and severance pay, as well as site preparation and equipment, will require approximately $85 millon over the next 3 years. The 1986 President's Budget contains $25 million for the 1986 consolidation, and the remainder of the $85 million has been included in the projections for 1987 and 1988.

Reorganization will be achieved by transferring the designated activities to the three center locations through a transfer of function. Between 7,800 and 7,900 FTEE would be affected. We will meet all labor-management obligations, including the requirement to provide 120-day notice to the American Federation of Government Employees (AFGE) and the National Federation of Federal Employees (NFFE).

A task force has been established to develop an implementation plan by July 1985. The task force will provide definitive plans on locations and relocation strategies, as well as detailed estimates on translocation and equipment costs (particularly for ADP equipment).

To allow for the lead time required to prepare office space, we now expect the first move to occur in July 1986.

I will be pleased to provide any additional information you may desire regarding our plans for consolidation and reorganization.

Sincerely,

HARRY N. WALTERS,
Administrator.

On February 11, 1985, the Chairman and the Ranking Minority Member of the Committee informed the Administrator that the notice in his letter of February 1, 1985, was inadequate since it did not contain, among other things, details as the statute requires. A copy of the letter follows:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC, February 11, 1985.

Hon. HARRY N. WALTERS,
Administrator of Veterans Affairs, Veterans' Administration, Washington, DC.

DEAR MR. ADMINISTRATOR: Thank you for your letter of February 1, notifying us of your intention to proceed with a planned reorganization of the Department of Veterans Benefits proposed by the President in his 1986 budget request.

In accordance with the provisions of section 210(b)(2) of title 38, before the Administrator may implement an administrative reorganization in any fiscal year, the Administrator must, under certain circumstances, first submit to the appropriate committees of the Congress a report containing a "detailed plan and justification" for the administrative reorganization. Such report shall be submitted not later than the day on which the President, pursuant to section 1105 of title 31, submits to the Congress the budget for the fiscal year in which the administrative reorganization is to be implemented. In addition, no action to carry out the reorganization may be taken after the submission of such report until the first day of such fiscal year.

Mr. Administrator, if the 2-page letter of February 1 is supposed to be the detailed plan and justification required under 210(b)(2), it is inadequate. For example, the statute requires that you inform the committee of how the consolidation would enable you to take better advantage of the advances of recent years in management and communications technology, as you suggest it would do. We expect you to set out how the proposed consolidation would further improve the agency's delivery of veterans benefits and provide for continuing high quality service to veterans. We're not aware of any effort being made to purchase high tech equipment that would enable the agency to offset the reduction of employees by 17 percent over the 1986–88 time frame as you indicate in your letter.

The committee would be interested in knowing how the fiscal year 1986 reduction of 624 FTEE would affect each individual station. The committee would like a breakdown by regional office of the total number of FTEE losses over the 3-year period. You state that the employee reduction would be accomplished through centralization of the designated functions. The committee expects to have the specifics of how this would be accomplished. We want to know more about the staff reductions projected to take place through attrition. For example, have any surveys been conducted as to how many staff you expect to leave the agency over this 3-year period through attrition? Are you aware of any specific data that would indicate the number of voluntary reassignments that would take place? Finally, we would be interested in knowing more details about the specific incentives for employee placement which you envision.

The committee would like to know what sites have been surveyed and/or selected for the three centralized locations where consolidation would take place. You indicate that a task force has been established to develop an implementation plan by July 1985 and

that the task force will provide definitive plans on locations and relocation strategies, as well as detailed estimates on translocation and equipment costs. We would suggest to you that under the statute cited above, unless the detailed plan is submitted by the date specified (which has now passed) the agency is without authority to make this move; therefore, the move is not to take place in July of 1986 or at any future time unless there is total compliance with current law.

We would be pleased to discuss this matter with you further should you desire to do so.

Sincerely,

G.V. (SONNY) MONTGOMERY,
Chairman.
JOHN PAUL HAMMERSCHMIDT,
Ranking Minority Member.

The Administrator responded that the notice was adequate and provided the Chairman with an opinion from his Acting General Counsel to that effect. There follows a copy of the Administrator's letter of March 14, 1985, and the unpublished opinion.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, DC, March 14, 1985.

Hon. G.V. (SONNY) MONTGOMERY,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, DC.

DEAR SONNY: Thank you for your letter of February 11 concerning a reported reorganization of the Department of Veterans Benefits (DVB). You raise a number of matters regarding that proposed reorganization.

At the request of Senator Cranston, I recently solicited an opinion from our General Counsel regarding the question of the adequacy of our February 1 letter reporting the proposed DVB reorganization. A copy of that opinion is enclosed.

No final decision has been made as to this specific DVB proposal. It has been agreed that the Veterans Administration will develop a plan for modernizing its entire operations, and that we will consider various efficiency alternatives, one of which may be DVB consolidation. This effort has just begun and, when it is completed, a decision will be made as to the best course of action to be taken concerning DVB. However, I want to assure you that we will, as always, work closely with the Congress through our oversight committees, and with veterans' organizations to achieve a consensus before proceeding. We will be providing you with additional specifics concerning the DVB proposal.

I am sure that you would agree with the Administration's position that there is, today, an urgent need to work with the Congress to find ways to achieve savings in all Federal programs. We will attempt to do our part. However, while management improvements and greater efficiency can be realized in VA programs, I want to assure you that this will never be done, while I am the Administra-

tor, by sacrificing compassionate, timely, and good quality care and services for our Nation's veterans.

Sincerely,

HARRY N. WALTERS,
Administrator.

Enclosure.

VETERANS' ADMINISTRATION,
February 26, 1985.

MEMORANDUM

To: Administrator (00).
From: Acting General Counsel (02).
Subject: Request for our Opinion as to the Legal Sufficiency of the VA's 2/1/85 Letters to Congress Reporting Planned DVB and ODM&T Reorganizations Under 38 U.S.C. § 210(b)(2).

1. The attached letters dated February 1, 1985 reported to appropriate VA oversight committees and subcommittees in the Congress two planned VA administrative reorganizations. One letter concerned the planned DVB consolidation of certain functions from 59 regional offices into 3 processing centers. The second reported the plan to close three ODM&T field stations and transfer their functions to two other VA Data Processing Centers. You request our opinion as to whether these two report letters were sufficient to meet the notice requirements of 38 U.S.C. § 210(b)(2). A second, related question is what kinds of VA activity constitute "implementation," or "actions to carry out" a reorganization, since such activity must be delayed under 38 U.S.C. § 210(b)(2)(A) until the first day of the fiscal year for which the reorganization is reported.

2. Section 210(b)(2)(A) of title 38, U.S. Code requires the VA to submit a "detailed plan and justification" to appropriate committees of Congress for certain planned VA administrative reorganizations. The first issue presented by your request is what degree of specificity must such a plan and justification meet in order to comply with this standard. The terms of the clause are not defined in the statute. It must be acknowledged, however, that the meaning of the term "detailed" is somewhat subjective and is an area where reasonable minds may differ.

3. The legislative history of this provision does not provide a definition as to the standard of specificity or description therefor. This provision was adopted as a Congressional response to an Agency reorganization involving DVB. In that proposal, substantially all DVB regional office functions would have been consolidated into approximately three offices. One of the two subject reorganizations would similarly consolidate significant portions of the local regional offices. It is noteworthy that Congress, in responding to the earlier plan, did not prohibit such a consolidation of DVB, but rather imposed the notice and wait requirement on any future such reorganization plans, such as the one which is a subject of this opinion. Thus, it is apparent that Congress did not intend to block significant reorganizations so much as to gain time to learn of and evaluate such proposed Agency action.

4. Taken together, the language of the statute, the legislative history and the events giving rise to this legislation, it may be concluded that the subject clause requires that any such report of a planned reorganization provide notice sufficient to enable the Congress to effectively and efficiently mount its own fact finding and evaluative efforts regarding the planned reorganization so as to make its own assessment of whether to attempt to block such action by legislative means. This provision establishes a period of time in which Congress is assured of several months for fact finding, evaluation and effecting a legislative response. Thus, while the statute uses the word "detailed," the degree of specificity must be considered in the context of the overall process.

5. It is quiet clear that once a report provides notice to Congress of a proposed plan the VA oversight committees have the experience and resources to closely scrutinize, question, and if necessary block any proposed reorganization. Such oversight is effected regularly and effectively in all VA program and budget areas by the VA committees. This effectiveness is amplified by the "work together" and openness attitude which characterizes the VA's relationship with these committees. This significant, effective oversight process by the VA committees, fully available to them during the lengthy consideration period following submission of the reorganization plan, must be considered in calculating the degree of specificity required by the "detailed plan" requirement of section 210(b)(2)(A). The absence of definition of a standard here, coupled with the lengthy waiting period, underlines further the clear intent that much fact finding would ensue following provision of notice of a planned reorganization. Between antagonists, the requirement for a "detailed" plan might never be satisfied. The fact that there is no statutory resolution mechanism in such an event suggests the intent, born of lengthy experience between the VA oversight committees and the VA, that whatever details may be lacking at the outset would be filled in sufficiently for the oversight committees to make a reasonable judgment on the desirability of a reorganization.

6. The conclusion then, is that while the Agency has a duty under section 210(b)(2)(A) to provide a "detailed" report on any significant VA reorganization, the absence of all of the details should not, given the context of the Congressional evaluation oversight process established by this section, render invalid a report which, in other circumstances, might fail to meet commonly-accepted standards of what constitutes a "detailed" plan.

7. Applying the foregoing to the subject DVB report, it must be conceded that considerable detail is lacking; that substantive discussions of how much FTEE will be affected, or, how particular, critical affected activities would be administered following reorganization would contribute significantly to the understanding of what is proposed. On the other hand, the Agency stands ready to provide more information as that information is obtained. It is noted that the Agency letter admits that the VA lacks some details regarding the DVB plan. The Agency has given notice of its basic objective. There is no doubt as to the overall intended result. The Agency will be obliged to provide additional information regarding

this reorganization plan, however, to enable the oversight committees to evaluate it properly.

8. Although not of great length, the ODM&T submission provides somewhat greater detail, and, when considered in light of the whole process, seems to meet the submission requirement of the subject section.

9. The second question is what kinds of VA action constitute "implementation" or "actions to carry out" a reorganization for purposes of the waiting period requirement. The words of 38 U.S.C. § 210(b)(2)(A) provide that the "Administrator may not . . . implement [a covered] administrative reorganization" until he first submits the required report, and further that *"[n]o action to carry out such reorganization* may be taken" after submission until the first day of the fiscal year for which the report was submitted. (Emphasis added.) Obviously, any complex VA reorganization involves a great deal of lead time and much activity ranging from early planning, to preparation for relocation of functions and personnel, to the actual execution of the reorganization with movement of people and equipment. Again, in the absence of a statutory or legislative history definition the purpose of the waiting period would appear to be the best guide to the intended meaning of the word "implementation." By providing for a lengthy waiting period, the Congress sought to preserve its option to "veto" a covered reorganization.

10. In light of this purpose, it would be inappropriate for the VA to obligate sizable government resources for a planned reorganization if, during the waiting period, it became reasonably apparent that the reorganization would be prohibited by the Congress. However, assuming compliance with the notice provision, we do not believe that the statute generally bars the Administrator from taking steps to commence the movement of personnel and equipment on the first day of the next fiscal year. Submission of such a report is an indication that an Administrator has already determined, in accordance with his statutory responsibilities, that serious pursuit of a reorganization may be in the best interests of program implementation and efficient management. Having made that determination he is obligated to proceed with planning and preparations, so as to permit any actual reorganization to be carried out as soon as possible, once the waiting period has expired. As indicated above, the commitment of resources predicated upon implementation of the plan must be tempered by continuing calculations of whether Congress will block the reorganization. But the fundamental duty of the Administrator to effect the correct management structure requires that prudent resource allocation be undertaken during the waiting period in order to realize the benefits of such reorganization as soon as possible.

11. Presumably, the Congress would only rarely take action to block a reorganization which the Administrator has determined would improve Agency management. Moreover, a measured VA commitment of resources is consistent with the statutory language itself. The language calls for the submission of information about the planned reorganization well before it could be implemented legally, and contemplates the possible generation of extensive additional information during the oversight waiting period. Thus, the

statute itself clearly contemplates that the Agency will expend resources to evaluate, continue evaluating and otherwise plan actual implementation of the reorganization, well before the date before which no actual implementation could take place.

12. Based upon the above, it is our opinion that VA "implementation" action which is prohibited during the waiting period under 38 U.S.C. § 210(b)(2)(A) is the actual carrying out of the reorganization with movement of people and equipment.

ROBERT E. COY.

Attachments.

The Acting General Counsel stated that Congress did not intend to block significant reorganizations so much as to gain time to learn of and evaluate such proposed agency action. In this connection, the Committee notes the Administrator plans to inform the Committee in late July of the details, which would include the locations of the proposed centralized offices, the number of employees affected, the costs of relocating employees, the savings involved, and a myriad of other factors pertinent to relocation of thousands of employees across the Nation. These are the details that should have been submitted to the Committee when the budget for fiscal year 1986 was sent to the Congress. It is unrealistic to assume that the details of such a move presented to the Committee just prior to the traditional August recess would afford the Committees and the Congress a reasonable opportunity to enact legislation should that be the will of the Congress.

The veterans' service organizations, at the hearing on April 17, 1985, were unanimous in their support of the provisions of section 2. As one witness testified, a similar consolidation was proposed 4 years ago and was flatly rejected by the Congress. Recognizing that consolidation of major adjudication functions would disrupt efficient delivery of benefits and services to veterans, destroy the due process rights of VA claimants and bring total disarray to the VA benefits system, Congress enacted section 210(b) to prevent this from happening. The Committee has not changed its position on the need for this provision, notwithstanding the Administration's proposal that this provision of law be repealed so that consolidations such as this can take place.

If enacted, section 2 of the bill would require the Administrator to maintain the regional office structure as it existed on Janaury 1, 1985. It would not require the Administrator to establish any new office nor would it require the relocation of any functions from one office to another. The Committee, in reporting this legislation, is simply ensuring that the Administrator does not consolidate any regional office functions without affording the Congress an opportunity to exercise its oversight responsibility by evaluating the effect of such a move on the delivery of veterans' benefits in an acceptable manner.

As evidenced by the testimony at the hearing on April 17, service to veterans, including the basic right to due process, would be affected under the Administration proposal. Only after receiving the implementation plans from the Administrator, followed by further hearings and deliberation, would the Committee be in a position to work its will on this issue. Simply stated, the receipt of the detailed

plans in late July 1985 would be inadequate notice to the Committee and to the Congress. The proposed legislation is urgently needed to forestall a premature and potentially damaging consolidation of regional office functions.

PAIRED ORGANS

Section 360 of title 38, United States Code, provides that a veteran who has suffered (1) service-connected blindness in one eye and then suffers blindness in the other eye as a result of a non-service-connected disability not due to his or her own willful misconduct, or (2) service-connected loss, or loss of use, of one kidney and then suffers such severe involvement of the other kidney as to cause total disability, as the result of a non-service-connected disability not the result of his or her own willful misconduct, or (3) service-connected total deafness in one ear and then suffers total deafness in the other ear as the result of a non-service-connected disability not the result of willful misconduct, shall be paid the applicable rate of compensation as if the blindness in both eyes or bilateral kidney involvement or total deafness in both ears were the result of service-connected disability.

The principle of "paired organ" impairment for cases of blindness and severe kidney involvement was established by the Congress through enactment of Public Law 87–610 on August 28, 1962. Prior to that time, a veteran who entered service with blindness of one eye and incurred blindness in the other eye as a result of service was entitled to the statutory rate of compensation payable for service-connected blindness of both eyes. If, however, a veteran entered service with acceptable vision in both eyes, incurred blindness of one eye in service, and then subsequent to such service, suffered blindness of the other eye as the result of a non-service-connected cause, the veteran was entitled to compensation for unilateral blindness only.

A comparable situation also existed in the case of veterans with bilateral kidney involvement. In both instances, Congress decided that the service-connected loss of sight of one eye, or the loss, or loss of use, of one kidney was a direct causative factor in the ultimate resulting more severe disability. The Congress therefore enacted Public Law 87–610 to compensate these types of cases equally.

The established principle of "paired organ" impairment was later extended to total deafness by Public Law 89–311, signed into law October 31, 1965, in recognition of the additional disability attendant on the non-service-connected loss of a second paired organ when service connection has been established for the other organ.

The Administration proposes to amend section 360 of title 38 to include lung disabilities in the types of special consideration regarding payment of compensation in cases where veterans have suffered certain service-connected disabilities affecting a single eye, ear or kidney in combination with certain non-service-connected disabilities affecting the other eye, ear or kidney.

This section of law was originally enacted in recognition of the additional disability attendant to non-service-connected loss, or loss of use, of a second paired organ when service-connection is estab-

lished for the impairment of the first. It serves to equate, for service-connected disability ratings, with those where the disability of both organs is judged to be service-connected.

The Administration plan would simply extend the "paired organ principle" to certain disabilities of the lung if a veteran has suffered a disability of one lung, rated 50 percent or more disabling, which is totally disabling in combination with a non-service-connected disability of the other lung. Under section 3 of the reported bill, the Committee proposes to modify the criteria for bilateral kidney and bilateral lung involvement so that total disability is not a prerequisite.

PAIRED EXTREMITIES

Section 314(t) of title 38, United States Code, provides for a statutory award of $262 to a veteran who (1) has incurred service-connected disabilities rated less than total and (2) who has suffered the service-connected loss, or loss of use, of one extremity so as to entitle the veteran to a rating of not less than 40 percent and (3) who has also suffered the non-service-connected loss, or loss of use, of the other paired extremity.

In 1977, the House passed H.R. 6501 which proposed to add the loss of paired extremities to section 360 of title 38. The Committee felt at that time the "paired organ principle" should apply with equal force in the case of a veteran who has suffered both a service-connected and non-service-connected loss of both extremities as described above. Although the Administration opposed the bill, the Administration witness did recognize the use of a prosthesis in some cases would be absolutely impossible and that total disability would be apparent.

The Committee has again reconsidered this proposal as suggested by the Disabled American Veterans during the hearing on April 17, 1985. The rationale for passage of H.R. 6501 in 1977 is just as convincing today as it was then. The VA reports only 64 veterans are in receipt of payments under section 314(t) and the cost of providing an increase under section 360 would be insignificant.

Section 3 of the reported bill includes a repeal of section 314(t). Under this section, the 64 veterans receiving the statutory award under section 314(t) would be eligible for the total disability rate as a result of having the "paired extremity" included in section 360 along with "paired organs."

TAXING COMPENSATION

Section 3101 of title 38, United States Code, provides that payments of benefits due or to become due under any law administered by the Veterans' Administration shall be exempt from taxation. Compensation benefits have traditionally been exempted from taxation.

In 1970, the maximum coverage was increased to $15,000 by Public Law 91-291. This law extended part-time coverage to all reservists, to members of the National Guard and to Reserve Officers Training Corps (ROTC) members while engaged in authorized training duty. In 1972, cadets and midshipmen of the service academies were included for full-time coverage. In 1974, Public Law 93-

289 increased maximum coverage to $20,000 for all members, and full time coverage was extended to members of the Ready Reserves and retired reservists. Public Law 97-66 increased the maximum coverage from $20,000 to $35,000 effective December 1, 1981. The maximum coverage has not been increased since that time.

Section 5 of the reported bill would increase from $35,000 to $50,000 the maximum amount of coverage that may be purchased under the Servicemen's Group Life Insurance (SGLI) program and would extend eligibility for this coverage to members of the Individual Ready Reserve and the Inactive National Guard.

Last year, the House passed a similar measure but it was not accepted by the other body. The House-passed bill was amended by the other body to limit the increased coverage to servicemembers with 5 or more years service. This limitation was unacceptable to the House. In rejecting their amendment, the Committee pointed out that of the 248 men who lost their lives in Lebanon and Grenada in the tragic events of 1983, there were 198 who had less than 5 years of service. Many of them were survived by widows, children and parents. The Committee feels strongly that the survivors of a servicemember with less than 5 years service need assistance as much as those with more than 5 years.

This program is funded by premiums collected from the individual insureds, except the government is responsible for costs relating to deaths caused by combat. Administration witnesses testified that unless the Nation were to become involved in armed conflict, there would be no increased cost to the Government from enactment of this provision. It should be pointed out that the limitation in the amendment made by the other body last year was based on a stated concern about the cost implication if we become involved in a war. This Committee, by including the measure again in the reported bill, expresses its opinion that the welfare of our servicemen and servicewomen is a most important issue and reiterates its long standing position that veterans benefits, including insurance, are a continuing cost of prior wars and of maintaining a strong fighting force to defend our Nation in the event of future conflicts.

NATIONAL GUARD TRAINING DUTY

Since 1964 there has been authority under section 502(f) of title 32, United States Code, to assign National Guard personnel (who provide full time operational support) to the Reserve Components even though they are not activated. The Department of Defense has administratively adopted new terminology, AGR (Active Guard Reserve) and ADS (Active Duty Support) to describe those operational positions.

Full time National Guard service is "active duty for training" under section 101(22)(C) of title 38 for AGR and ADS personnel performing duty under section 502(f) of title 32. No distinction is made between such duty performed for operational purposes and for training purposes. These individuals receive VA benefits for any disability incurred as a result of that service; however, they are not eligible for the full range of veterans' benefits since they do not meet the definition of "active duty" provided in section 101(21)(A) of title 38. For example, an individual who suffers a disabling

injury while serving in AGR or ADS duty status or in training status would be eligible for the full range of service-connected benefits which normally accrue from regular active service. Such individual is not, however, eligible for loan guaranty benefits or for VA medical treatment for non-service-connected disabilities.

Section 6 of the reported bill is an Administration proposal that would re-define full-time National Guard Service performed for operational purposes under section 502(f) of title 32. Section 101(22) of title 38 categorizes duty authorized under section 502(f) of title 32 as "active duty for training", whether the duty is performed for operational or for training purposes. Eligibility to veterans benefits for this type of service is limited to disabilities incurred during that specific period of service.

Section 6 would provide that full-time service for operational performances (as distinguished from training purposes) performed under section 502(f) would meet the definition of "active duty" as contained in section 101(21)(A) of title 38, rather than "active duty for training" as contained in section 101(22)(C) of title 38. It is individuals who serve in these operational positions that this amendment would cover, and not those who perform training duty only.

This section would become effective October 1, 1985. It is noted this change would be effective with service performed on or after October 1, 1985; however, members in AGR or ADS status as of October 1, 1985 would be able to include their days of continuous service immediately prior to that date in the adjudication of eligibility accruing under this amendment. The Committee notes that under existing law, 181 days of service are required to establish eligibility to loan guaranty benefits whereas only one day is required to establish eligibility to non-service-connected medical benefits. Pension under chapter 15 of title 38 is a benefit limited to veterans of wartime service and because the United States is not now involved in a war, no eligibility to pension would accrue as a result of this amendment.

REGIONAL OFFICE IN THE PHILIPPINES

Under present law, the Administrator of Veterans Affairs operates a regional office in the Republic of the Philippines. The authority to operate this office expires September 30, 1985.

Section 7 of the reported bill would extend the authority of the Administrator to continue to maintain and operate a regional office in the Republic of the Philippines through September 30, 1988. Under present law, that authority will expire on September 30, 1985.

The Administrator has informed the Committee that in the agency's experience the operation of a regional office in the Philippines is the most efficient means of administering the VA programs of compensation, pension and educational benefits to the thousands of beneficiaries residing in the Philippines. VA reports more than 31,000 Filipino beneficiaries are in receipt of monthly benefits from the VA. The Committee agrees this authority should be extended.

DIC FOR SPOUSES OF CHIEF OF UNIFORMED SERVICES

Section 411 of title 38, United States Code provides a special rate of DIC to a surviving spouse of a veteran who served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, chief of Staff of the Air Force or Commandant of the Marine Corps. This special rate is predicated on the additional active service pay of these individuals.

Prior to October 30, 1984, the Commandant of the Coast Guard received the same service pay as those of other flag officers of the Coast Guard. On that date, Public Law 98–557 was enacted and one of the provisions of that statute increased the Commandant's pay to the same level as the chiefs of the other uniformed services. Under present law, the surviving spouse of a former Commandant of the Coast Guard receives DIC at a rate below that of surviving spouses of former chiefs of the other uniformed services.

Section 8 of the reported bill would increase the DIC rate to a surviving spouse of a Commandant of the Coast Guard to the level payable to the surviving spouses of other military service chiefs.

Last year, the Administration made the same proposal. In not acting at that time, the Committee notified the Secretary of Transportation that DIC rates are traditionally based on the military pay of the individuals upon whose deaths entitlement is predicated and that the Commandant of the Coast Guard did not receive the same pay as that of the other service chiefs. In resubmitting the proposal this year, the Secretary of Transportation informed the Committee that under Public Law 98–577, the Commandant of the Coast Guard is now authorized service pay at the same rate of the other chiefs of the uniformed services. This adjustment in the DIC rates is now justified and is included in the reported bill.

Section-by-Section Analysis of the Bill

Section 1 would provide that this Act may be cited as the "Veterans' Compensation Benefits Amendments of 1985".

Section 2 would amend present section 230(a) of title 38, relating to the operation of the Veterans' Administration central and regional offices.

Subsection (a) of section 2 would require the Veterans Administration to maintain its Central Office in the District of Columbia, and operate a regional office in each State, which would be required to retain responsibility for adjudicating and processing claims or applications for benefits under specific Veterans Administration programs including compensation for service-connected disability or death, dependency and indemnity compensation, pension, educational assistance, vocational rehabilitation, and automobiles and adaptive equipment. However, Section 2 would not require the Administrator to provide functions through a regional office in a State other than those functions that were being performed by that regional office on January 1, 1985. Certain functions, such as loan guaranty services, are not provided by all offices. Under the reported bill, the Administrator must ensure that every State contains at least one full-service regional office, except that a number of offices may be exempted from providing some services based on their operations as of January 1, 1985. The Ad-

ministrator would not be precluded from establishing such other regional and field offices within the United States, its Territories, Commonwealths and possessions as he considers necessary.

Subsection (b) of section 2 would provide that subsection (2) of this section shall take effect on October 1, 1985.

Section 3 would amend current section 360 of title 38, which affords special consideration for compensation purposes to disabilities involving paired organs.

Subsection (a) of section 3 would amend section 360 of title 38 in order to expand the principle of "paired organ impairment" to certain disabilities of the extremities and of the lungs, insofar as the disabilities are not the result of the veterans' own willful misconduct. Under present law, if a veteran has suffered service-connected blindness in one eye, service-connected deafness in one ear, or service-connected loss or loss of use of one kidney, in combination with nonservice-connected blindness in the other eye, deafness in the other ear, or severe involvement of the other kidney (resulting in total disability), compensation at the appropriate rate is paid as if the disabilities affecting both organs were service-connected. The Committee bill would afford the same special consideration to the loss or loss of use of one hand or one foot by reason of service-connected disability where the veteran has suffered the loss or loss of use of the other hand or foot due to nonservice-connected disability, and to permanent service-connected disability of one lung (rated at 50 percent or more disabling) in combination with a nonservice-connected disability of the other lung. Also, the reported bill would delete the requirement of total disability as it pertains to the loss or loss of use of a kidney.

Subsection (b) of section 3 would, in conformance with subsection (a), repeal current section 314(t) of title 38, which provides a special monthly rate of compensation for veterans who have suffered loss or loss of use of an extremity by reason of severe service-connected disability in combination with loss or loss of use of the paired extremity due to severe nonservice-connected disability.

Subsection (c) of section 3 would provide that the amendments made by section 3 shall take effect on October 1, 1985.

Section 4 would express the sense of Congress that payments made by the Veterans' Administration to veterans as compensation for service-connected disabilities should remain exempt from federal income taxation. In addition, this section would urge the President to reject any proposal to tax such benefits.

Section 5 would amend sections 767 and 777 of title 38, relating to the Servicemen's Group Life Insurance and Veterans' Group Life Insurance programs.

Subsection (a) of section 5 would amend section 767(a) of title 38, to increase, from $35,000 to $50,000, the maximum amount of coverage under a Servicemen's Group Life Insurance policy, and to permit a servicemember the opportunity of electing a lesser amount of coverage in a sum that is evenly divisible by $10,000. The language of subsection (c) of section 767, concerning the opportunity to apply for coverage or a greater amount of coverage, would be amended to conform to the changes made in subsection (a). Also, subsection (d) of section 767 would be amended to authorize coverage up to $50,000, or any lesser amount evenly divisible by $10,000,

for any member on January 1, 1986 of the Retired Reserve of a uniformed service.

Subsection (b) of subsection 5 would amend section 777(a) of title 38, to increase, from $35,000 to $50,000, the maximum amount of coverage under a Veterans' Group Life Insurance policy, and add a new subsection (h) to expand eligibility to members of the Individual Ready Reserve and the Inactive National Guard. The Committee bill continues the provision that such policies shall be issued on a renewable 5-year term basis, but would require any person insured under the program to remain a member of the Individual Ready Reserve or Inactive National Guard through the period of the insurance as a condition for renewal of the policy. The terms "Individual Ready Reserve" and "Inactive National Guard" would be defined by the Administrator in consultation with the Secretary of Defense.

Subsection (c) of section 5 would provide that the amendments made by this section shall take effect on the first day of the fourth month beginning after the date of enactment of this act.

Subsection (a) of section 6 would amend section 101(22) (c) of title 38 relating to the definition of "active duty for training," in order to permit the full-time operational duty performed by National Guard and Air National Guard members to be considered "active duty" for benefit eligibility purposes. In recent years, guard members called to full-time operational duty (usually to serve as instructors or recruiters) have been assigned Active Guard and Reserve status if the duty period is 180 days or more, and Active Duty Support status if the duty period is less than 180 days. These designations have led to some confusion on the part of guard members as to their eligibility for title 38 benefits. The reported bill would assist guard members in Active Guard and Reserve status or Active Duty Support status to qualify for benefits on the same basis as other active-duty servicemembers and peacetime veterans. The primary effect of this section would be to make certain National Guard and Air National Guard members eligible for home loan guaranty benefits and health care on a nonservice-connected basis.

Subsection (b) of section 6 would provide that subsection (a) of this section shall apply to duty performed after September 30, 1985. It further provides that a member or former member of the National Guard or Air National Guard in Active Guard and Reserve status or Active Duty Support status on the date of enactment of this Act shall be eligible for home loan guaranty benefits, if the person continuously served in such status for 181 days or more before applying for such benefits and is otherwise eligible. Consequently, guard members in Active Guard and Reserve status or Active Duty Support status on the date of enactment would be able to include their days of service prior to that date in qualifying for loan guaranty benefits.

Section 7 would extend the authority of the Administrator of Veterans' Affairs to maintain a regional office in the Republic of the Philippines until September 30, 1988. Under present law, such authority is scheduled to end after September 1985. The reported bill would enable the Veterans' Administration to continue serving the needs of its beneficiaries firsthand, through operations based in the Philippines.

Section 8 would amend present section 411(a) of title 38, relating to the dependency and indemnity compensation (DIC) rate for the surviving spouse of a Coast Guard Commandant.

Subsection (a) of section 8 would amend the second footnote of the table of rates in section 411(a) of title 38 in order to make the dependency and indemnity compensation rate payable to the surviving spouse of a Coast Guard Commandant commensurate to the DIC rates payable to the surviving spouses of the other military service chiefs, such as the Chief of Staff of the Army. Under current law, the surviving spouses of the chiefs of the other military branches qualify for higher DIC rates than do surviving spouses of Coast Guard Commandants, despite the fact that the underlying pay grades of the persons upon whom entitlement is predicated are now equal by virtue of section 35(a) of Public Law 98-557. This section would eliminate the disparity in DIC rates, and restore the historical linkage between DIC rates and the underlying military pay grades of the deceased veterans.

Subsection (b) of section 8 would provide that subsection (a) of this section shall take effect on October 1, 1985.

Section 9 would provide certain technical amendments to the Veterans' Benefits Improvement Act of 1984, Public Law 98-543. The amendments would take effect as if included in that Act when it was promulgated.

Oversight Findings

No oversight findings have been submitted to the Committee by the Committee on Government Operations.

Congressional Budget Office Cost Estimate

There follows the Congressional Budget Office cost estimate of H.R. 2343 as ordered reported:

U.S. Congress,
Congressional Budget Office,
Washington, DC, May 8, 1985.

Hon. G.V. Montgomery,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, DC.

Dear Mr. Chairman: In response to your request, CBO has prepared the attached cost estimate for H.R. 2343, the Veterans' Compensation Benefits Amendments of 1985, as ordered reported by the House Committee on Veterans' Affairs, May 7, 1985.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

With best wishes,

Sincerely,

Rudolph G. Penner, *Director.*

Congressional Budget Office Cost Estimate

1. Bill number: H.R. 2343.

2. Bill title: Veterans' Compensation Benefits Amendments of 1985.

3. Bill status: As ordered reported by the House Committee on Veterans' Affairs, May 7, 1985.

4. Bill purpose: To make certain improvements in the veterans' compensation program, and for other purposes.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1986	1987	1988	1989	1990
Budget authority	2	3	3	1	1
Outlays	2	3	3	1	1

The cost of this bill would fall in budget function 700.

Basis for estimate

Section 7: This section would extend for three years the authority of the VA to operate a regional office in the Republic of the Philippines. The current authority expires September 30, 1985.

[By fiscal years, in millions of dollars]

	1986	1987	1988	1989	1990
Estimated authorization level	1	2	2	0	0
Estimated outlays	1	2	2	0	0

According to the VA, the cost in fiscal year 1984 of operating the Manila regional office was $1.3 million. This amount was increased for anticipated inflation to estimate the authorization levels in 1986–88. Outlays were estimated according to historical spending patterns.

The remaining provisions of this bill would make a number of relatively minor changes in the veterans' compensation program. While individually none of these amendments would be expected to result in a significant cost in any year during the projection period, the combined effect of the remaining sections is estimated to raise compensation expenditures by about $1 million a year. Those sections with the most significant budgetary effects are discussed briefly below.

Section 2: This section would require the Administrator of Veterans Affairs to maintain a regional office in each state and to provide the same services in those regional offices that were being provided on January 1, 1985.

While this provision would have no impact on the current operating procedures of the VA—and, thus, no impact on the CBO baseline—it would preclude the consolidation of regional office functions announced in the President's fiscal year 1986 budget. This consolidation has been estimated by the administration to cost aroung $25 million in 1986, but it is expected to reduce operating expenses in future years.

Section 3: This section would provide that a veteran with a service-connected disability of one lung that is totally disabling in com-

bination with a non-service-connected disability of the other lung would be paid compensation as if the combination of disabilities were service-connected.

According to the VA, the number of veterans with such a combination of disabilities would be too small to result in a significant increase in compensation costs.

Section 5: This section would increase the maximum policy value from $35,000 to $50,000 for life insurance provided under the Servicemen's Group Life Insurance and the Veterans' Group Life Insurance programs.

Since both of these programs are required to operate on an actuarially sound basis, any increase in program costs resulting from this change would have to be offset by higher insurance premiums. Therefore, there would be no cost to the Federal Government from this provision.

Section 6: This section would extend entitlement for veterans' educational, medical care, and home loan benefits to a small group of individuals serving in the Army National Guard or the Air National Guard in active guard reserve or active duty support status.

The number of individuals entitled to benefits by this provision should not be large enough to result in a significant cost in any one year.

6. Estimated cost to State and local governments: The Congressional Budget Office has determined that the budgets of state and local governments would not be directly affected by enactment of this bill.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: K.W. Shepherd.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

Committee Cost Estimate

The Committee agrees with the cost estimate of the Congressional Budget Office.

Inflationary Impact Statement

The enactment of the reported bill would have no inflationary impact.

Agency Reports

The Committee received the following views of the Veterans' Administration, the Department of Defense, and the Department of Transportation on legislation similar to the reported bill:

Veterans' Administration,
Office of the Administrator of Veterans Affairs,
Washington, DC, March 19, 1985.

Hon. Thomas P. O'Neill, Jr.,
Speaker of the House of Representatives, Washington, DC.

Dear Mr. Speaker: I am pleased to submit a draft bill to increase the statutory rates of disability compensation for veterans

and rates of dependency and indemnity compensation for surviving spouses and children of veterans, and for other purposes. I respectfully request that it be referred to the appropriate committee and enacted promptly.

Title I would authorize the increased rates of disability compensation and dependency and indemnity compensation. The disability compensation program is designed to provide monetary relief from impairments in earning capacity suffered by veterans disabled during, or as a result of, military service. Rates of compensation vary with the degrees of disability demonstrated, and additional compensation is payable for dependents if the veteran's disability is rated 30 percent or more disabling.

Dependency and indemnity compensation (DIC) benefits are payable under chapter 13 of title 38 to the surviving spouses and children of veterans whose deaths were service connected. Payments at DIC rates may also be made if a veteran's death was not service connected but the veteran was rated as totally disabled for a specified period prior to death. Surviving spouses' DIC rates are based on the veterans' military pay grades. A surviving spouse may receive additional payments for the veteran's children under the age of 18, or if the surviving spouse is disabled. Children over the age of 18 who become helpless before reaching that age may receive DIC, as can those age 18 to 23 attending approved educational institutions. If there is no surviving spouse, a child under the age of 18 may also receive DIC in the child's own right.

The administration of the disability compensation and DIC programs is one of the VA's most important missions. We recognize a duty to recommend periodic adjustments in monthly rates as economic conditions change.

In recent years, compensation adjustments have been keyed to indexed cost-of-living increases in Social Security and VA pensions. The current projection is for a 4.1 percent increase in Social Security rates when they are adjusted in December 1985. Accordingly, we recommend a corresponding increase of 4.1 percent in the rates of disability compensation and DIC, effective December 1, 1985.

Section 101 of the draft bill would increase rates of disability compensation, including the so-called special monthly compensation rates (except for the "K" rate), by approximately 4.1 percent. As with all rates in our proposal, odd amounts resulting from our computations were rounded down to the nearest dollar.

Sections 102 and 103, respectively, would provide for an approximate 4.1 percent increase in rates of additional compensation for dependents, and in the clothing allowance payable under section 362 of title 38 to certain veterans wearing or using prosthetic or orthopedic appliances.

Sections 104 through 106 would increase DIC rates by approximately 4.1 percent, effective December 1, 1985.

Our 5-year estimate of the cost of the enactment of the proposed increases under title I, based on a 4.1 percent rate adjustment, is as follows (in millions of dollars):

Fiscal year	*Cost*
1986	$342.8
1987	411.8
1988	412.7

1989	412.4
1990	412.4

Title II contains four proposals to improve veterans' benefits programs by amending eligibility requirements. Section 201 would change the effective date for a reduction or discontinuance of benefits that are based upon school attendance of a payee or payee's dependent. Under current law, reductions occur as of the last day of the month in which the school attendance is discontinued. Under our proposal, the effective date for reduction or discontinuance would be the day following the last date or attendance, based upon section 3012(a) of title 38.

This change would conform to current rules for discontinuing benefits for, or on behalf of, a child as of its 18th birthday. We believe there is no substantial difference between terminating benefits based upon a child's attainment of age eighteen and terminating benefits for an adult student between the ages of 18 and 23 who discontinues his or her attendance.

We estimate enactment of this proposal would result in benefit savings of less than $1 million and administrative costs amounting to less than $100,000 in any fiscal year.

Section 202 would amend section 101(22) of title 38, relating to the definition of "active duty for training," in order to permit the full-time operational duty performed by National Guard and Air National Guard members to be considered "active duty" for title 38 purposes. Under section 101(21)(A) of title 38, active duty means full-time duty in the Armed Forces other than active duty for training. Under section 101(22)(C), active duty for training, with respect to Guard members, means full-time duty authorized under title 32, regardless of whether the duty is performed for operational or training purposes. This amendment would limit "active duty for training" performed by Guard personnel to full-time duty performed for training purposes.

In recent years, Guard members called to full-time operational duty (usually to serve as instructors or recruiters) have been assigned active Guard and Reserve (AGR) status if the duty period is 180 days or more, and active duty support (ADS) status if the duty period is 179 days or less. These designations have led to some confusion on the part of Guard members as to their eligibility for title 38 benefits. Although a Guard member on AGR or ADS status who is disabled in the line of duty would be eligible for VA compensation, "active duty for training" is not qualifying for certain other title 38 benefits, primarily home loan guaranty benefits and health care on a nonservice-connected basis.

Generally, loan guaranty eligibility requires 181 days of continuous active duty, either for service personnel or peacetime veterans. The amendment made by this section would, therefore, assist Guard members in AGR and ADS status to qualify for benefits on the same basis as other active-duty service members and peacetime veterans. Our amendment would be effective with respect to duty performed after September 30, 1985; however, Guard members in AGR and ADS status as of the date of enactment would be able to include their days of service prior to that date in qualifying for loan guaranty benefits.

We estimate enactment of this proposal would result in benefit costs of less than $1 million in any fiscal year, and VA would incur less than $100,000 in administrative costs.

Recognition of a child as the legally adopted child of a veteran under current law may give rise to additional benefits, including increased compensation or pension payments to the adopting veteran, and dependency and indemnity compensation and educational benefit entitlement for the child. Our proposed section 203 would amend criteria for recognition of foreign adoptions, which are set forth in section 101(4)(B) of title 38. Specifically, the proposal would provide that an adoptee could not be considered the legally adopted child of a veteran for the purposes of benefits eligibility under title 38 unless the adoption occurred prior to the date any entitlement of the veteran to disability compensation or pension arose. The amendment would apply only to an adopton under the laws of a jurisdiction other than a State, territory, possession of the United States, the District of Columbia, Puerto Rico, or the Northern Mariana Islands, and only where the adoptee resides in a foreign jurisdiction.

Our proposal is designed to address a longstanding problem concerning recognition of adoption decrees issued under the laws of foreign jurisdictions. Foreign courts in some cases grant adoptions without observance of standards comparable to those applied in courts of this country. In a number of instances, foreign courts have permitted aged, infirm veterans to adopt young relatives over whom they have no intention of assuming a true parental relationship. The sole motivation for these adoptions appears to be a desire to obtain increased veterans' benefits or to assure benefits entitlement for the adoptee upon the veteran's death.

The high value of United States veterans' benefits in some foreign economies creates a substantial incentive for contrived adoptions. For example, in the Philippines, the additional pension payable to a veteran for an adopted child is reported to be comparable to the salary of a rural schoolteacher. Adopton of a child will in many cases result in a substantial economic gain to a veteran residing abroad. While economic conditions in the Philippines and the large number of veterans residing there make that country a primary source of concern, the VA has received claims based on questionable adoptions granted in other foreign jurisdictions.

In recognition of the threat to the integrity of the veterans' benefit programs posed by contrived adoptions, Congress in 1979 enacted standards for recognition of foreign adoptions. Section 401 of Public Law No. 96–22, 93 Stat. 47 (1979), added a new section 101(4)(B) to U.S. Code, title 38, providing that a person residing outside the United States adopted under the laws of a foreign jurisdiction shall not be considered the legally adopted child of a veteran unless stated criteria relating to age at the time of adoption, support from the veteran, residence with the veteran, and absence of custody by a natural parent, are met. In the case of a deceased veteran, the adopted child must have met the requirements for at least one year prior to the veteran's death or the veteran must have received benefits for the child during the year preceding death.

Although the 1979 amendment has been of considerable benefit in combating adoption abuses, experience with the statute has revealed significant difficulties in administration, particularly in applying custody and residence criteria. We know of at least two claims in which the VA has recognized foreign adoptions under the amended statute where the motivation for the adoption must be considered suspect. Both claims involved the adoption of children by aged grandparents in receipt of veterans' pension benefits. In neither case did the adoption appear to serve any purpose other than generation of additional pension entitlement, and in both cases natural parents remained in close proximity to the adopted children and continued personal contact with them.

Even where the adoption criteria can be applied to bar questionable claims, the criteria have proven burdensome to administer. Development of evidence in foreign adoption claims is difficult, and adjudication of these claims is often complex and time-consuming.

The proposed amendment would greatly reduce the potential for abuse and simplify claim development by permitting recognition of a foreign adoption only if the adoption took place before the veteran's benefit entitlement arose. Where this standard is met, existing criteria would serve as a further safeguard against contrived claims. In this way, the proposed amendment would further Congress' objective, in enacting Public Law No. 96–22, to preclude entitlement based on adoptions entered for the sole purpose of securing veterans' benefits.

A comparable provision has been in force in Social Security old-age and disability insurance programs for a number of years. Under section 402(d)(8)(D) of U.S. Code, title 42, a child adopted after an individual becomes entitled to old-age or disability benefits is not considered as meeting the dependency requirements for child's insurance benefits unless the child is the natural child or stepchild of the individual, or was legally adopted in a United States court and met residence, support and age criteria prior to commencement of the individual's entitlement. Thus, a child other than a natural child or stepchild, adopted in a foreign jurisdiction after the date of the adopting parent's entitlement, cannot be considered a dependent for purposes of child's insurance benefits.

The proposed amendment to the veterans' benefit statutes is expected to result in annual cost savings of less than one million dollars. Savings would be realized both by limiting inappropriate benefit payments and through improved administrative efficiency.

Section 204 would amend section 360 of title 38, which affords special consideration regarding payment of compensation in cases where veterans have suffered certain service-connected disabilities affecting a single eye, ear, or kidney in combination with certain nonservice-connected disabilities affecting the other eye, ear, or kidney. Under present law, if a veteran has suffered service-connected blindness in one eye, service-connected deafness in one ear, or service-connected loss or loss of use of one kidney, in combination with nonservice-connected blindness in the other eye, deafness in the other ear, or severe involvement of the other kidney (resulting in total disability), compensation at the appropriate rate is paid as if the disabilities affecting both organs were service-connected.

Section 360 of title 38 was originally enacted in recognition of the additional disability attendant to nonservice-connected loss or loss of use of a second paired organ where service connection is established for the impairment of the first. It serves to equate, in terms of compensation, these types of cases with those where the disability affecting both organs is adjudicated as service-connected.

Section 204 would extend the principle of "paired organ impairment" to certain disabilities of the lungs so that if a veteran has suffered permanent disability of one lung, rated 50 percent or more disabling under the relevant criteria, which is totally disabling in combination with a nonservice-connected disability of the other lung, compensation would be paid at the total disability rate.

Our estimates indicate this proposal would result in less than $1 million in benefit costs and less than $100,000 in administrative costs in any fiscal year.

Title III contains a single proposal, which would extend the authority of the Administrator of Veterans' Affairs to maintain a regional office in the Republic of the Philippines. Under present law, the Administrator is authorized to operate a regional office in the Philippines until September 30, 1985. Section 301 would extend this authority to September 30, 1988.

It has been our experience that the operation of a regional office in the Republic of the Philippines is the most efficacious means of administering the VA programs which provide disability compensation, pensions and educational benefits to tens of thousands of Filipino beneficiaries. In fiscal year 1983, for example, over $125 million in benefits were paid to these individuals. Our proposal would enable this Agency to continue meeting the needs of the residents of the Philippines in a cost-effective manner.

Enactment of section 301 would entail administrative costs of approximately $1.4 million in any fiscal year.

Advice has been received from the Office of Management and Budget that enactment of this legislative proposal would be in accord with the program of the President.

Sincerely,

HARRY N. WALTERS,
Administrator.

GENERAL COUNSEL,
DEPARTMENT OF DEFENSE,
Washington, DC, May 8, 1985.

Hon. DOUGLAS APPLEGATE,
Chairman, Subcommittee on Compensation, Pension and Insurance, Committee on Veterans' Affairs, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for your letter of April 10, 1985, to the Secretary of Defense concerning the Department's views on a proposal to increase maximum coverage under the Servicemen's Group Life Insurance program from $35,000 to $50,000 and to extend expanded eligibility to members of the Individual Ready Reserve and the Inactive National Guard under the Veterans' Group Life Insurance program. We have long supported these Veterans'

Administration programs offering valuable insurance protection to the men and women of the Services, and support the enhancements proposed as H.R. 1709, 99th Congress.

The recently completed Fifth Quadrennial Review of Military Compensation conducted analysis of the "military estate program" and the report of that review was forwarded to the Congress in April 1984. One of the items studied was the Servicemen's Group Life Insurance. It was reconfirmed that the program fulfills a crucial need in forestalling economic hardship to survivors in the event of a member's untimely death. As a result of that review, we recommend that the amount of maximum coverage be increased from $35,000 to $50,000, similar to your initiative.

The Servicemen's Group Life Insurance is an extremely successful program—over 99 percent of members participate. In many instances, however, this is the only insurance protection carried. Unfortunately, the current coverage afforded by Servicemen's Group Life Insurance is insufficient for many mid-careerists, especially those with family responsibilities. We know that the average amount of life insurance per family in the United States is now about $56,000—much more than the coverage available under Servicemen's Group Life Insurance. An increase in coverage would allow members to structure their insurance protection better in relation to their family obligations, from a maximum of $50,000 to a lesser amount in $5,000 increments. Further, such an increase would preserve the value of the insurance amount in relation to economic pressures and retain the viability of the program.

Unlike most other Federal insurance programs, the Servicemen's Group Life Insurance is a program self-supported by the premiums of the members. It is not subsidized on a regular periodic basis. The only costs assumed by the Government are those attributed to the extra hazards of military service resulting from combat and are paid at the instant time rather than over the life of the program, as found in other Federal insurance programs. As the report of the 5th Quadrennial Review of Military Compensation points out, no such extra hazard costs have occurred since 1974. In the absence of armed conflict or an abnormal military morality experience, we would not expect that significant costs would be assumed by the Government.

We believe that the Government has a responsibility to provide a reasonable survivor insurance program for military members. The Servicemen's Group Life Insurance program is specifically designed, and has been enhanced from time to time, to meet that responsibility. Similar programs exist in the Federal civilian and private sectors. As a program resulting from military service, we do advertise the insurance program as an available benefit for a service commitment, especially for the Reserve Components. Faced with a declining youth market and increased competition from the private sector, we must be able to assure that a military profession does not become a liability to the surviving family in the event of death and is reasonable in light of prevailing practices in the civilian community. The proposal would help to meet those ends. As indicated in hearings on this matter held before your committee on April 17, 1985, the Veterans' Administration deferred to this department as to the merits of the proposal under consideration.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this report for the consideration of the Committee.

Sincerely,

CHAPMAN B. COX.

SECRETARY OF TRANSPORTATION,
Washington, DC, April 9, 1985.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives, Washington, DC.

DEAR MR. SPEAKER: There is transmitted herewith a draft of a proposed bill "To amend section 411(a) of title 38, United States Code, to increase the dependency and indemnity compensation for the surviving spouse of the Commandant of the Coast Guard."

Footnote two of section 411(a) of title 38, United States Code, establishes a special rate of dependency and indemnity compensation for the surviving spouses of the Chairman of the Joint Chiefs of Staff and the chiefs of the Army, Navy, Air Force, and Marine Corps. This proposal would add the surviving spouse of the Commandant of the Coast Guard to the class of surviving spouses entitled to the special rate of compensation.

There are no personnel increases and a negligible budgetary increase associated with this proposal.

It is recommended that the proposed legislation be enacted by the Congress.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this proposed legislation to the Congress.

Sincerely,

ELIZABETH HANFORD DOLE.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

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PART I—GENERAL PROVISIONS

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CHAPTER 1—GENERAL

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§ 101. Definitions

For the purposes of this title—
(1) * * *

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(22) The term "active duty for training" means—

(A) full-time duty in the Armed Forces performed by Reserves for training purposes;

(B) full-time duty for training purposes performed as a commissioned officer of the Reserve Corps of the Public Health Service (i) on or after July 29, 1945, or (ii) before that date under circumstances affording entitlement to "full military benefits", or (iii) at any time, for the purposes of chapter 13 of this title;

(C) in the case of members of the National Guard or Air National Guard of any State, full-time duty *performed for training purposes under title 10 or* under section 316, 502, 503, 504, or 505 of title 32, or the prior corresponding provisions of law;

(D) duty performed by a member of a Senior Reserve Officers' Training Corps program when ordered to such duty for the purpose of field training or a practice cruise under chapter 103 of title 10; and

(E) authorized travel to or from such duty. The term does not include duty performed as a temporary member of the Coast Guard Reserve.

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CHAPTER 3—VETERANS' ADMINISTRATION; OFFICERS AND EMPLOYEES

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Subchapter III—Veterans' Administration Regional Offices; Employees

§ 230. Central and regional offices

[(a) The Central Office of the Veterans' Administration shall be in the District of Columbia. The Administrator may establish such regional offices and such other field offices within the United States, its Territories, Commonwealths, and possessions, as he deems necessary.]

(a)(1) The Central Office of the Veterans' Administration shall be in the District of Columbia.

(2)(A) The Administrator shall maintain a regional office in each State. Subject to subparagraph (B) of this paragraph, such offices shall be responsible for processing—

(i) claims for benefits under chapters 11, 13, and 15 of this title;

(ii) claims for educational benefits or vocational rehabilitation provided under laws administered by the Veterans' Administration;

(iii) loans under chapter 37 of this title; and

(iv) applications for assistance under chapter 39 of this title.

(B) This paragraph does not require the Administrator to provide functions through a regional office in a State other than those functions that were being performed by that office on January 1, 1985.

(3) The Administrator may establish such other regional offices and field offices within the United States, its Territories, Commonwealths, and possessions as he considers necessary.

(4) For the purposes of this subsection, the term "State" means one of the 50 States or the Commonwealth of Puerto Rico.

(b) The Administrator may exercise authority under this section in territory of the Republic of the Philippines until September 30, [1985.] *1988.*

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CHAPTER 11—COMPENSATION FOR SERVICE-CONNECTED DISABILITY OR DEATH

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Subchapter VI—General Compensation Provisions

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[360. Special consideration for certain cases of blindness or bilateral kidney involvement or bilateral deafness.]

360. Special consideration for certain cases of loss of paired organs or extremities.

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Subchapter II—Wartime Disability Compensation

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§ 314. Rates of wartime disability compensation

For the purposes of section 310 of this title—

(a) * * *

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[(t)(1) If the veteran (A) is entitled to receive compensation at any rate provided for under subsections (a) through (i) of this section and compensation under subsection (k) of this section, (B) has suffered the loss or loss of use of an extremity as a result of a service-connected disability ratable at 40 percent or more, and (C) has suffered the loss or loss of use of the paired extremity as a result of a non-service-connected disability, not the result of the veteran's own willful misconduct, that would be rated, if service-connected, at 40 percent or more, the monthly rate of compensation payable to such veteran shall be increased by $280.

[(2) If a veteran described in paragraph (1) of this subsection receives any money or property of value pursuant to an award in a judicial proceeding based upon, or a settlement or compromise of, any cause of action for damages for the non-service-connected disability described in such paragraph, the increase in the rate of compensation otherwise payable under this subsection shall not be paid for any month following a month in which any such money or property is received until such time as the total of the amount of such increase that would otherwise have been payable equals the

total of the amount of any such money received and the fair market value of any such property received.]

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Subchapter VI—General Compensation Provisions

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[§ 360. Special consideration for certain cases of blindness or bilateral kidney involvement or bilateral deafness

[Where any veteran (1) has suffered blindness in one eye as a result of service-connected disability and has suffered blindness in the other eye as a result of non-service-connected disability not the result of such veteran's own willful misconduct, or (2) has suffered the loss or loss use of one kidney as a result of service-connected disability, and has suffered severe involvement of the other kidney such as to cause total disability, as a result of non-service-connected disability not the result of such veteran's own willful misconduct, or (3) has suffered total deafness in one ear as a result of service-connected disability and has suffered total deafness in the other ear as the result of non-service-connected disability not the result of such veteran's own willful misconduct, the Administrator shall assign and pay to the veteran concerned the applicable rate of compensation under this chapter as if such veteran's blindness in both eyes or such bilateral kidney involvement were the result of service-connected disability.]

§ 360. Special consideration for certain cases of loss of paired organs or extremities

Where a veteran has suffered—

(1) blindness in one eye as a result of service-connected disability and blindness in the other eye as a result of non-service-connected disability not the result of the veteran's own willful misconduct;

(2) the loss or loss of use of one kidney as a result of service-connected disability and involvement of the other kidney as a result of non-service-connected disability not the result of the veteran's own willful misconduct;

(3) total deafness in one ear as a result of service-connected disability and total deafness in the other ear as the result of non-service-connected disability not the result of the veteran's own willful misconduct;

(4) the loss or loss of use of one hand or one foot as a result of service-connected disability and the loss or loss of use of the other hand or foot as a result of non-service-connected disability not the result of the veteran's own willful misconduct; or

(5) permanent service-connected disability of one lung, rated 50 percent or more disabling, in combination with a non-service-connected disability of the other lung that is not the result of the veteran's own willful misconduct,

the Administrator shall assign and pay to the veteran the applicable rate of compensation under this chapter as if the combination of disabilities were the result of service-connected disability.

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CHAPTER 13—DEPENDENCY AND INDEMNITY COMPENSATION FOR SERVICE-CONNECTED DEATHS

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Subchapter II—Dependency and Indemnity Compensation

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§ 411. Dependency and indemnity compensation to a surviving spouse

(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

Pay grade	Monthly rate	Pay grade	Monthly rate
E-1	$476	W-4	$682
E-2	490	O-1	602
E-3	502	O-2	621
E-4	535	O-3	665
E-5	549	O-4	703
E-6	561	O-5	775
E-7	589	O-6	873
E-8	621	O-7	944
E-9	[1] 649	O-8	1,035
W-1	602	O-9	1,111
W-2	626	O-10	[2] 1,217
W-3	644		

[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $700.

[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, [or Commandant of the Marine Corps,] *Commandant of the Marine Corps, or Commandant of the Coast Guard,* at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,305.

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CHAPTER 15—PENSION FOR NON-SERVICE-CONNECTED DISABILITY OR DEATH OR FOR SERVICE [1]

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Subchapter II—Veterans' Pensions

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Non-Service-Connected Disability Pension

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524. Temporary *program of* vocational training for certain new pension recipients.

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Subchapter II—Veterans' Pensions

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Non-Service-Connected Disability Pension

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§ 524. Temporary program of vocational training for certain new pension recipients

(a)(1) * * *

(2) Subject to paragaph (3) of this subsection, if a veterans who is 50 years of age or older and who is awarded pension during the program period applies for vocational training under this section and the Administrator makes a preliminary finding on the basis of information in the application that, with the assistance of a vocational training program under subsection [(d)] *(b)* of this section, the veteran has a good potential for achieving employment, the Administrator shall provide the veteran with an evaluation in order to determine whether the achievement of a vocational goal by the veteran is reasonably feasible. Any such evaluation shall include a personal interview by a Veterans' Administration employee trained in vocational counseling.

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(b)(1) * * *

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(4) A veteran may not begin pursuit of a vocational training program under this subsection after the later of (A) January 31, 1989, or (B) the end of a reasonable period of time, as determined by the Administrator, following either the evaluation of the veteran under subsection [(a)(1)] *(a)* of this section or the award of pension to the veteran as described in subsection (a)(2) of this section. Any determination by the Administrator of such a reasonable period of time shall be made pursuant to regulations which the Administrator shall prescribe.

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(c) [Notwithstanding subsection (c) of section 525 of this title, a] *A* veteran who pursues a vocational training program under subsection (b) of this section shall have the benefit of the provisions of subsection (a) of section 525 of this title beginning at such time as the veteran's entitlement to pension is terminated by reason of income from work or training (as defined in subsection [(b)] *(b)(1)* of that section) *without regard to whether the veteran's entitlement to pension is so terminated during the program period.*

§ 525. Temporary protection of health-care eligibility

(a) In the case of a veteran whose entitlement to pension [under section 521 of this title] is terminated during the program period by reason of income from work or training, the veteran shall retain for a period of three years beginning on the date of such termination all eligibility for care and services under such chapter that the veteran would have had if the veteran's entitlement to pension had not been terminated. Care and services for which such a veteran

retains eligibility include, when applicable, drugs and medicines under section 612(h) of this title and special priority with respect to such care and services under section 612(i)(5) of this title.

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CHAPTER 19—INSURANCE

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Subchapter III—Servicemen's Group Life Insurance

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§ 767. Persons insured: amount

(a) Any policy of insurance purchased by the Administrator under section 766 of this title shall automatically insure against death—

(1) any member of a uniformed service on active duty, active duty for training, or inactive duty training scheduled in advance by competent authority;

(2) any member of the Ready Reserve of a uniformed service who meets the qualifications set forth in section 765(5)(B) of this title; and

(3) any member assigned to, or who upon application would be eligible for assignment to, the Retired Reserve of a uniformed service who meets the qualifications set forth in section 765(5)(C) of this title;

in the amount of [$35,000] *$50,000,* unless such member elects in writing (A) not to be insured under this subchapter, or (B) to be insured in [the amount of $30,000, $25,000, $20,000, $15,000, $10,000, or $5,000.] *an amount less than $50,000 that is evenly divisible by $10,000.* The insurance shall be effective the first day of active duty or active duty for training, or the beginning of a period of inactive duty training scheduled in advance by competent authority, or the first day a member of the Ready Reserve meets the qualifications set forth in section 765(5)(B) of this title, or the first day a member of the Reserves, whether or not assigned to the Retired Reserve of a uniformed service, meets the qualifications of section 765(5)(C) of this title, or the date certified by the Administrator to the Secretary concerned as the date Servicemen's Group Life Insurance under this subchapter for the class or group concerned takes effect, whichever is the later date.

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(c) If any member elects not to be insured under this subchapter or to be insured in [the amount of $30,000, $25,000, $20,000, $15,000, $10,000, or $5,000, he may thereafter be insured under this subchapter or insured in the amount of $35,000, $30,000, $25,000, $20,000, $15,000, or $10,000 under this subchapter, as the case may be,] *any amount less than $50,000, he may thereafter be insured under this subchapter in the amount of $50,000 or any lesser amount evenly divisible by $10,000* upon written application, proof of good health, and compliance with such other terms and conditions as may be prescribed by the Administrator. Any former member insured under Veterans' Group Life Insurance who again

becomes eligible for Servicemen's Group Life Insurance and declines such coverage solely for the purpose of maintaining his Veterans' Group Life Insurance in effect shall upon termination of coverage under Veterans' Group Life Insurance be automatically insured under Servicemen's Group Life Insurance, if otherwise eligible therefor.

(d) Notwithstanding any other provision of this section, any member who on [the effective date of this subsection] *January 1, 1986* is a member of the Retired Reserve of a uniformed service (or who upon application would be eligible for assignment to the Retired Reserve of a uniformed service) may obtain increased insurance coverage [up to a maximum of $35,000 (in any amount divisible by $5,000)] *in the amount of $50,000 or any lesser amount evenly divisible by $10,000* if—

(1) the member—

(A) is insured under this subchapter on [the effective date of this subsection] *January 1, 1986*, or

(B) within one year after [the effective date of this subsection] *January 1, 1986*, reinstates insurance under this subchapter that had lapsed for nonpayment of premiums; and

(2) the member submits a written application for the increased coverage to the office established pursuant to section 766(b) of this title within one year after [the effective date of this subsection] *January 1, 1986.*

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§ 777. Veterans' Group Life Insurance

(a) [Veterans' Group Life Insurance shall be issued in the amount of $5,000, $10,000, $15,000 $20,000 $25,000, $30,000 or $35,000 only.] *Veterans Group Life Insurance shall be issued in the amounts specified in section 767(a) of this title. In the case of any individual, the amount of Veterans' Group Life Insurance may not exceed the amount of Servicemen's Group Life Insurance coverage continued in force after the expiration of the period of duty or travel under section 767(b) or 768(a) of this title.* No person may carry a combined amount of Servicemen's Group Life Insurance and Veterans' Group Life Insurance in excess of [$35,000] *$50,000* at any one time. Any person insured under Veterans' Group Life Insurance who again becomes insured under Servicemen's Group Life Insurance may within sixty days after becoming so insured convert any or all of his Veterans' Group Life Insurance to an individual policy of insurance under subsection (e) of this section. However, if such a person dies within the sixty-day period and before converting his Veterans' Group Life Insurance, Veterans' Group Life Insurance will be payable only if he is insured for less than [$35,000] *$50,000* under Servicemen's Group Life Insurance, and then only in an amount which added to the amount of Servicemen's Group Life Insurance payable shall not exceed [$35,000.] *$50,000.*

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(h)(1) Notwithstanding any other provision of the law, members of the Individual Ready Reserve and the Inactive National Guard are eligible to be insured under Veterans' Group Life Insurance. Any such member shall be so insured upon submission of an application in the manner prescribed by the Administrator and the payment of permiums as required under this section.

(2) Notwithstanding subsection (b)(2) of this section, Veterans' Group Life Insurance coverage under this subsection shall be issued on a renewable five-year term basis, but the person insured must remain a member of the Individual Ready Reserve or Inactive National Guard throughout the period of the insurance in order for the insurance of such person to be renewed.

(3) for the purposes of this subsection, the terms "Individual Ready Reserve" and "Inactive National Guard" have the meaning prescribed by the Administrator in consultation with the Secretary of Defense.

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VETERANS' BENEFITS IMPROVEMENT ACT OF 1984

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TITLE I—DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

PART A—RATE INCREASE

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DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 105. Section 413*(a)* is amended—

(1) by striking out "$233" in clause (1) and inserting in lieu thereof "$240";

(2) by striking out "$334" in clause (2) and inserting in lieu thereof "$345";

(3) by striking out "$432" in clause (3) and inserting in lieu thereof "$446"; and

(4) by striking out "$432" and "$87" in clause (4) and inserting in lieu thereof "$446" and "$90", respectively.

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PART B—COMPENSATION PROGRAM AMENDMENTS

TRIAL WORK PERIOD AND VOCATIONAL REHABILITATION PILOT PROJECT

SEC. 111. (a)(1) * * *

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(c) Not later than April 15, 1988, the Administrator of Veterans' Affairs shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report on the results of the implementation of section 363 of title 38, United States Code (as added by subsection (a)(1)), during the three-year period beginning on February 1, 1985. The report shall include—

(1) information regarding—

(A) the number of veterans with a disability rating of total based on inability to secure or follow a substantially gainful occupation who during such period followed a substantially gainful occupation for a period of twelve consecutive months and the work experience of those veterans and their disability ratings after completing such twelve-month period and (if known) the number of veterans with such a rating who during the period covered by the report followed a substantially gainful occupation but did not maintain employment in it for a period of twelve consecutive months,

(B) the number of veterans who during the period covered by the report were provided with evaluations under subsection [(b)] *(c)(1)(B)* of such section,

(C) the number of veterans provided such evaluations for whom a plan of vocational rehabilitation was formulated pursuant to such subsection,

(D) the number of veterans for whom such a plan was formulated who elected, and who did not elect, to pursue a vocational rehabilitation program,

(E) the extent to which those veterans who elected to pursue such a program completed the program, and

(F) the subsequent work experience and disability ratings of the veterans who were provided such evaluations;

(2) a tabulation of the reasons given by such veterans for not electing to pursue such a program by those who did not elect to pursue such a program; and

(3) the Administrator's assessment of the value (including the cost-effectiveness) and effect of such implementation and any recommendations of the Administrator for administrative and legislative action based on such results and assessment.

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